

**ASSEMBLY BILL**

**No. 1874**

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**Introduced by Assembly Member Coto**

February 4, 2008

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An act to amend Sections 11770 and 11785 of, and to repeal Section 11770.5 of, the Insurance Code, relating to workers' compensation insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 1874, as introduced, Coto. State Compensation Insurance Fund.

Existing law provides for the existence of the State Compensation Insurance Fund to be administered by its board of directors for the purpose of transacting workers' compensation insurance, and insurance against the expense of defending any suit for serious and willful misconduct, against an employer or his or her agent, and insurance to employees and other persons of the compensation fixed by the workers' compensation laws for employees and their dependents. Existing law provides that the board of directors of the State Compensation Insurance Fund is composed of 5 members, one of whom shall be from organized labor, appointed by the Governor. Existing law provides that the Governor shall appoint the chairperson who shall serve at the pleasure of the Governor, and makes the Director of Industrial Relations, the Speaker of the Assembly, and the President pro Tempore of the Senate, or their designees, ex officio, nonvoting members of the board. Existing law requires each board member to have been a policyholder or an employee or member of a policyholder in the fund, as specified, and to remain in that status during board membership.

This bill would provide that the board of directors of the State Compensation Insurance Fund is composed of 9 members, 7 of whom

shall be appointed by the Governor, 2 of whom shall be from organized labor. The Speaker of the Assembly would appoint one member and the Senate Committee on Rules would appoint one member. This bill would provide for the terms of office of board members, as specified, and provide that a majority of board members, other than the ex officio members, shall have been policyholders or the employees or members of a policyholder in the fund for one year immediately preceding the appointment, and must continue in this status during the period of his or her membership. This bill would provide that the lack of a majority of members who are policyholders or the employees or members of a policyholder in the fund, as specified, does not prevent the board of directors of the fund from meeting and conducting business so long as a quorum is present.

Existing law provides that the board of directors shall appoint a president of the fund and fix his or her salary. The president shall manage and conduct the business and affairs of the fund under the general direction and subject to the approval of the board of directors, and shall perform other duties as the board of directors prescribes.

This bill would provide that the board of directors shall appoint a chief financial officer and a chief investment officer and fix their salaries. Each officer would perform duties as the board directs.

Existing law provides that the board of directors of the fund is not a “state body,” as defined.

This bill would repeal that provision.

Existing law, the Bagley-Keene Open Meeting Act, provides that the meetings of state bodies, as defined, generally be open to the public, noticed, and provides, among other things, the public the opportunity to address the state body on agenda items. Existing law, the California Public Records Act, provides for public access to the records of state agencies, as specified. Existing law exempts the board from each of these acts.

This bill would repeal those exemptions, and would explicitly make the board subject to the Bagley-Keene Open Meeting Act.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 11770 of the Insurance Code is amended  
2     to read:

1 11770. (a) The State Compensation Insurance Fund is  
2 continued in existence, to be administered by its board of directors  
3 for the purpose of transacting workers' compensation insurance,  
4 and insurance against the expense of defending any suit for serious  
5 and willful misconduct, against an employer or his or her agent,  
6 and insurance to employees and other persons of the compensation  
7 fixed by the workers' compensation laws for employees and their  
8 dependents. Any appropriation made therefrom or thereto before  
9 the effective date of this code shall continue to be available for the  
10 purposes for which it was made.

11 ~~The~~  
12 (b) *The* board of directors of the State Compensation Insurance  
13 Fund is composed of ~~five~~ *nine* members, ~~one of whom~~ *seven of*  
14 *whom shall be appointed by the Governor, including two who shall*  
15 *be from organized labor, appointed by the Governor.* The Governor  
16 shall appoint the chairperson who shall serve at the pleasure of the  
17 Governor. *The Speaker of the Assembly shall appoint one member*  
18 *and the Senate Committee on Rules shall appoint one member.*  
19 The Director of Industrial Relations, the Speaker of the Assembly,  
20 and the President pro Tempore of the Senate, or their designees,  
21 shall be ex officio, nonvoting members of the board, and shall not  
22 be counted as members of the board for quorum purposes or any  
23 other purpose.

24 ~~The~~  
25 (c) *The* term of office of the members of the board, other than  
26 that of the director, the Speaker of the Assembly, and the President  
27 pro Tempore of the Senate, shall be five years and they shall hold  
28 office until the appointment and qualification of their successors.  
29 ~~The term of office of the first additional member appointed~~  
30 ~~pursuant to amendment of this section effective January 1, 1990,~~  
31 ~~shall expire on January 15, 1995. Commencing January 15, 1991,~~  
32 ~~the terms of office of other members shall be extended to five years~~  
33 ~~as each four-year term expires, so that one member's term of office~~  
34 ~~expires January 15 of each year. Each member successors, except~~  
35 ~~for the following:~~

36 (1) *The term of office of the first additional member from*  
37 *organized labor appointed by the Governor pursuant to amendment*  
38 *of this section effective January 1, 2009, shall expire on January*  
39 *15, 2011.*

1 (2) *The term of office of the second additional member from*  
2 *organized labor appointed by the Governor pursuant to amendment*  
3 *of this section effective January 1, 2009, shall expire on January*  
4 *15, 2012.*

5 (3) *The term of office of the member first appointed by the Senate*  
6 *Committee on Rules pursuant to this section effective January 1,*  
7 *2009, shall expire on January 15, 2013.*

8 (4) *The term of office of the member first appointed by the*  
9 *Speaker of the Assembly pursuant to this section effective January*  
10 *1, 2009, shall expire on January 15, 2014.*

11 (d) *Each member of the board shall receive his or her actual*  
12 *and necessary traveling expenses incurred in the performance of*  
13 *his or her duty as a member and, with the exception of the ex*  
14 *officio members, one hundred dollars (\$100) for each day of his*  
15 *or her actual attendance at meetings of the board. In order to qualify*  
16 *for membership on the board, each member a majority of the*  
17 *members, other than the ex officio members, shall have been a*  
18 *policyholder policyholders or the employee employees or member*  
19 *members of a policyholder in the State Compensation Insurance*  
20 *Fund for one year immediately preceding the appointment, and*  
21 *must continue in this status during the period of his or her*  
22 *membership. However, the lack of a majority of members who are*  
23 *policyholders or the employees or members of a policyholder in*  
24 *the State Compensation Insurance Fund for one year immediately*  
25 *preceding the appointment, and who must continue in this status*  
26 *during the period of his or her membership, does not prevent the*  
27 *board of directors of the fund from meeting and conducting*  
28 *business so long as a quorum is present.*

29 (e) *The board shall be subject to the Bagley-Keene Open*  
30 *Meeting Act, Article 9 (commencing with Section 11120) of Chapter*  
31 *1 of Part 1 of Division 3 of Title 2 of the Government Code.*

32 SEC. 2. Section 11770.5 of the Insurance Code is repealed.

33 ~~11770.5. The provisions of Article 9 (commencing with Section~~  
34 ~~11120) of Chapter 1 of Part 1 of Division 3 of Title 2 or Chapter~~  
35 ~~3.5 (commencing with Section 6250) of Division 7 of Title 1 of~~  
36 ~~the Government Code shall not apply to the Board of Directors of~~  
37 ~~the State Compensation Insurance Fund.~~

38 SEC. 3. Section 11785 of the Insurance Code is amended to  
39 read:

1     11785. The board of directors shall appoint a president, *chief*  
2 *financial officer, and a chief investment officer* of the fund and fix  
3 ~~his or her salary~~ *their salaries*. The president shall manage and  
4 conduct the business and affairs of the fund under the general  
5 direction and subject to the approval of the board of directors, ~~and~~.  
6 *Each of these officers* shall perform ~~other~~ duties as the board of  
7 directors prescribes.

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